ECONOMIC COMMENTARY

Construction Sector is Leading Employment Growth in Alberta

April 9, 2014

Highlights:

Employment rose by 478,200 in Alberta between 2003 and 2013 or by 27.6%, by far the highest provincial growth rate. The construction sector created the largest number of new jobs over that period as a result of surging construction spending, especially in the oil sands.

Alberta
Government

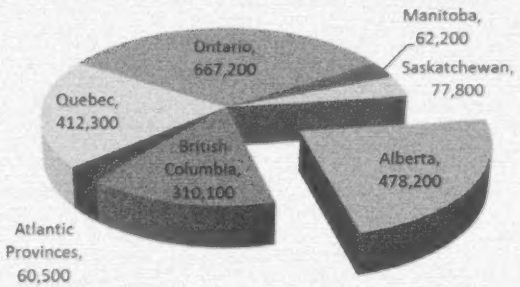
In this commentary we will discuss employment trends during the past year and the past decade, by province and region and by industry. Statistics Canada's Labour Force Survey (LFS) is the most reliable source for total employment and unemployment rates. However, it is a less accurate source for industry trends as it is a household survey and its primary purpose is to capture overall trends in employment and unemployment. For industry employment trends, Statistics Canada's company-based Survey of Employment, Payrolls and Hours (SEPH) is used, but this survey does not include the farming sector or the self-employed.

After leading the nation in 2011 and 2012 for employment growth, Alberta placed second among all provinces in 2013 as employment rose by 61,400 or 2.9%. Saskatchewan led all provinces with a 3.4% job gain. In Alberta, full-time employment rose 59,900, and part-time employment increased by 1,400. Alberta accounted for 27.5% of Canada's 2013 employment gains, a much higher share than Alberta's 12.5% share of Canada's employment level in 2013. This large employment gain was supported by strong in-migration: between 2012 and 2013 Alberta accounted for 38.5% of Canada's net migration.

Alberta's unemployment rate was 4.6% in 2013, unchanged from 2012, and the second lowest rate in the country. While quite robust, this level is still above the 2005 to 2008 unemployment rates. Low rates in that earlier time period contributed to elevated cost inflation in the province. Currently, inflation remains in check.

Even though Alberta's job market suffered more severely during the Great Recession than any other province's, Alberta still had by far the highest employment growth over the past 10 years. Between 2003 and 2013 employment grew by 478,200 (Chart 1) or 27.6% in Alberta, compared with a 13.2% gain at the national level. Saskatchewan and British Columbia had the next highest growth rates: 16.3% for Saskatchewan; 15.5% for British Columbia. Alberta accounted for 23% of Canada's employment gain over the same 10-year period.

Chart 1
Employment Growth by Province between 2003 and 2013

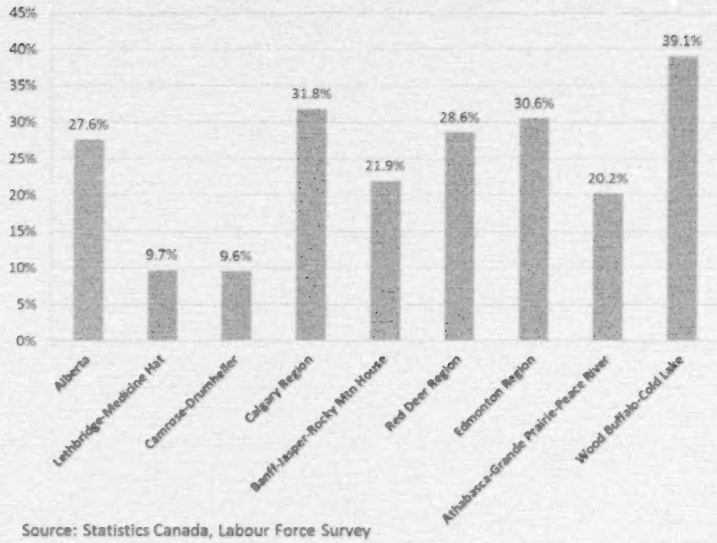


Source: Statistics Canada, Labour Force Survey

On a regional basis using Statistics Canada's Economic Regions, employment grew the strongest in the Red Deer region in 2013 with a 6.5% employment gain, followed by the Athabasca-Grande Prairie-Peace River region at 4.1%, the Edmonton region at 3.4%, the Calgary region at 3.0%, and Wood Buffalo at 2.8%. In 2013, the Edmonton and Calgary regions accounted for 79% of Alberta's total employment gain, similar to the 78% share of the prior 10 years. All regions registered unemployment rates of less than 5% in 2013, with the lowest rates recorded in Camrose-Drumheller (3.7%) and Athabasca-Grande Prairie-Peace River (3.9%).

Over the past 10 years, the Wood Buffalo region had the strongest employment growth as the number of jobs in that region grew by 39.1% between 2003 and 2013 (Chart 2). This robust growth was the result of rising oil sands production and surging oil sands investment. High growth was also registered in the Calgary (31.8%) and Edmonton (30.6%) regions.

Chart 2
Employment Growth by Region between 2003 and 2013



Source: Statistics Canada, Labour Force Survey

According to SEPH the number of non-farm payroll employees increased by 65,542 or 3.4% in 2013. The construction sector led all industries with an employment gain of 20,575 (or 11.4%). Construction activity surged in 2013, as construction spending rose about 10% that year with most of the gain coming from rising oil sands investment. The June flood in southern Alberta may have also contributed to the construction employment gain. The construction sector accounts for about 10% of total Alberta employment, but accounted for 31% of Alberta's job gains in 2013. The non-residential building construction sub-sector grew by 27% in 2013.

Other sectors with large employment gains in 2013 include:

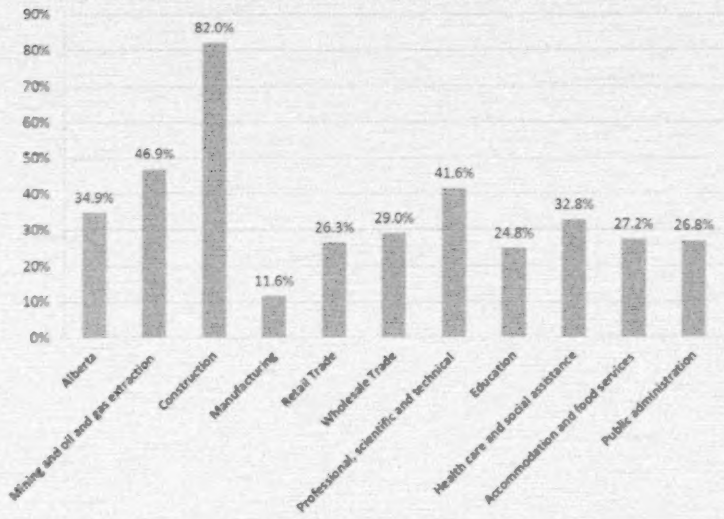
- Accommodation and food services – up 9,060 or 5.9% (large gain for restaurants)
- Retail trade – up 8,250 or 3.6% (especially motor vehicle and parts dealers)
- Wholesale trade – up 5,272 or 5.6% (such as construction, mining, and industrial machinery and equipment wholesalers)
- Mining and oil and gas – up 5,000 or 4.1% (large gain for oil and gas extraction)
- Health care and social assistance – up 4,915 or 2.9% (large gain for hospitals)
- Education – up 4,054 or 3.2% (especially universities)
- Transportation and warehousing – up 4,008 or 4.4% (solid gain for trucking)

On a 10-year basis the construction sector also led all other sectors with an increase of 90,280 (or 82% - Chart 3). This rise can be explained by a tripling of construction spending over that period: from $29 billion in 2003 to $87 billion in 2013. The heavy and civil engineering construction sub-sector was the fastest growing construction sub-sector over that period with a 94% gain, as oil sands construction spending rose from $1.4 billion in 2003 to just over $27 billion by 2013.

Other fast growing sectors over the 10-year period were:

- Retail trade – up 49,350 or 26.3% (especially motor vehicle and parts dealers and clothing stores)
- Health care and social assistance – up 42,615 or 32.8% (large gain for nursing and residential care facilities)
- Mining and oil and gas – up 40,485 or 46.9% (large gains for oil and gas extraction and for oil and gas services)
- Professional, scientific and technical services – up 36,843 or 41.6% (especially engineering and architectural services)
- Accommodation and food services – up 34,629 or 27.2% (especially restaurants)
- Administrative and support, waste management and remediation services – up 31,553 or 51.7% (large gains for employment services and waste management and remediation)

Chart 3
Employment Growth in Alberta's Largest Industries between 2003 and 2013



Source: Statistics Canada, Survey of Employment, Payrolls and Hours

During the past decade, Alberta has led the country in employment gains. In fact, Alberta's 27.6% rate of job creation between 2003 and 2013 was more than twice the national average of 13.2%. These gains are supported by strong in-migration, resulting in low, but not necessarily inflationary levels of unemployment. Regionally, Edmonton, Calgary and Wood Buffalo remain centres of growth. Rapidly rising construction spending, especially in the oil sands, has caused the construction sector to lead all other sectors by a wide margin for job growth. Between 2003 and 2013, more than 90,000 new construction jobs were created in the province. In other words, about one in every five new jobs that were created over the past decade was a construction job. The rapid growth in the oil sands also translated into strong growth for the mining and oil and gas sector as new oil sands operations came on stream, and for sectors that are tied to the oil and gas sector, such as professional, scientific and technical services (especially engineering services) and employment services and waste management and remediation. As investment in the oil and gas sector is forecast to double between 2013 and 2030 these sectors are poised for strong employment growth over the long-term as well.